

OPERATING RESULTS

In addition to the positive sales trends noted above, your Directors are pleased to note the continued improvement in operating performance. In spite of the trend to increased fixed costs and greater competition from imports, a substantial improvement in gross margin was obtained.

The net results produced a small loss in 1968 of approximately \$15,000, compared to a loss in excess of \$200,000 for the previous year. Because of the seasonal nature of our business, a much larger portion of our sales regularly take place in the fall, and profitable operations are expected for the balance of the year. You will note that Inventories and Accounts Receivable are in line with last year and there has been little change to our Fixed Assets account.

FUTURE PROSPECTS

The outlook for the fall is positive. Not only is the economic climate in the country continuing to improve, but our members of management report product acceptance by our customers has never been better and the trend to improved efficiencies and lower costs continues. This should result in substantially better profits in 1968 than for the previous year.

C.A. POLLOCK
President.

AR79



Circa 705, a striking new stereo addition to the ultra-modern Circa group. Compactly styled for contemporary homes, it is earning both design and marketing acclaim.

TV sets television sets,
photographs, radios,
electric organs, fans
humidifiers,
dehumidifiers,
electric home heating
products,
furniture

fall



an interim report
to shareholders
June 30, 1968

TO OUR SHAREHOLDERS:

In the first six months of 1968 your Company enjoyed a more favourable economic climate than for the same period of the previous year. In addition, the continued efforts in cost reduction and greater operating efficiencies have resulted in a substantial improvement in operations.

SALES

While total Company sales increased by only 2.4% in the six months over the previous year, marked improvements were recorded in most areas but these improvements were offset by a substantial drop in delivery of Private Brand color TV receivers. During this period Electrohome brand color TV increased by 70% over the previous year and substantial in-

creases were also achieved in black and white TV, small appliances, educational TV, contracts and sub-fractional horsepower motors. Smaller increases were also recorded in stereo hi-fi products and sales to the U.S.A. The only lines which faced a reduction in sales, other than the line referred to above, were furniture and electronic organs and these were marginal reductions by comparison.

CONSOLIDATED BALANCE SHEET - AS AT JUNE 30, 1968

ASSETS & LIABILITIES

	1968	1967
CURRENT ASSETS:		
Accounts Receivable, less allowance for doubtful accounts	3,752,742.	3,696,222.
Income Taxes Recoverable	30,953.	7,147.
Inventories (at lower of cost or market)	12,276,109.	12,006,848.
Prepaid Expenses	454,272.	469,378.
Marketable Securities (at cost)	1,800.	1,800.
	<u>16,515,876.</u>	<u>16,181,395.</u>
OTHER ASSETS:		
Life Insurance C.S.V.	-	95,154.
Investments in Other Companies	42,650.	42,650.
Special Refundable Taxes	37,553.	35,472.
Deferred Accounts Receivable	-	17,650.
	<u>80,203.</u>	<u>190,926.</u>
FIXED ASSETS:		
Land, Building, Machinery & Equipment (at cost)	10,581,435.	10,620,784.
Less: Accumulated Depreciation	3,952,600.	3,483,314.
	<u>6,628,835.</u>	<u>7,137,470.</u>
TOTAL ASSETS	<u>23,224,914.</u>	<u>23,509,791.</u>
CURRENT LIABILITIES:		
Bank Advances - secured	8,112,778.	7,992,138.
Accounts Payable and Accrued Liabilities	2,513,916.	3,311,491.
Principal installments due within one year on long-term debt	263,378.	291,261.
	<u>10,890,072.</u>	<u>11,594,890.</u>
LONG-TERM DEBT:		
Mortgage Payable - December 15, 1968	2,000.	4,000.
Notes Payable - Interest at prime bank rates - 6% - Due January 1, 1968	73,745.	-
		41,062.
6 1/8% Secured Sinking Fund Debenture (1985)	4,040,000.	4,250,000.
7 3/4% Purchase Contract (1971)	162,023.	195,698.
	<u>4,277,768.</u>	<u>4,490,760.</u>
Less: Principal installments due within one year	263,378.	291,262.
	<u>4,014,390.</u>	<u>4,199,498.</u>
DEFERRED INCOME TAXES:	<u>876,800.</u>	<u>530,100.</u>
MINORITY INTEREST IN SUBSIDIARY COMPANY:	-	<u>48,720.</u>
SHAREHOLDERS' EQUITY:		
Preference Shares	1,877,500.	1,917,500.
Common Shares	1,059,049.	1,056,402.
Excess of book value over cost of shares acquired in subsidiaries	116,691.	115,791.
Retained Earnings	4,390,412.	4,046,890.
	<u>7,443,652.</u>	<u>7,136,583.</u>
TOTAL LIABILITIES AND CAPITAL	<u>23,224,914.</u>	<u>23,509,791.</u>

CONSOLIDATED STATEMENT OF INCOME for the six months ended June 30, 1968

	1968	1967
SALES	<u>13,086,413.</u>	<u>12,775,193.</u>
Cost of Sales, Selling, Administrative and Financial Expenses	<u>12,679,810.</u>	<u>12,526,842.</u>
Income before undenoted items	<u>406,603.</u>	<u>248,351.</u>
Depreciation	<u>310,172.</u>	<u>311,455.</u>
Interest on Long-Term Debt	<u>134,426.</u>	<u>138,085.</u>
	<u>444,598.</u>	<u>449,540.</u>
Loss before Tax adjustment	<u>37,995.</u>	<u>201,189.</u>
Taxes Recoverable on Loss	<u>23,056.</u>	<u>7,439.</u>
	<u>14,939.</u>	<u>193,750.</u>
Minority Interest in Income	-	<u>7,279.</u>
NET LOSS	<u>14,939.</u>	<u>201,029.</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS for the six months ended June 30, 1968

	1968	1967
Balance at January 1	<u>4,506,663.</u>	<u>4,396,861.</u>
Deduct Net Loss	<u>14,939.</u>	<u>201,029.</u>
Dividends Paid - Common - Preferred	<u>46,728.</u>	<u>93,416.</u>
	<u>54,584.</u>	<u>55,526.</u>
	<u>116,251.</u>	<u>349,971.</u>
BALANCE AT JUNE 30	<u>4,390,412.</u>	<u>4,046,890.</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS for the six months ended June 30, 1968

FUNDS MADE AVAILABLE :	1968	1967
By Operations:		
Depreciation	310,172.	311,455.
Minority Shareholders' Interest in Income 6 months	-	7,279.
Reduction of Deferred Accounts Receivable	-	54,801.
Proceeds from Disposal of Fixed Assets	14,265.	578.
	<u>324,437.</u>	<u>374,113.</u>
From Financing and Other:		
Proceeds from Issue of Common Shares	2,646.	2,899.
Proceeds from C.S.V. of Life Insurance	97,233.	-
Increase in Long-Term Debt	-	116,436.
	<u>99,879.</u>	<u>119,335.</u>
TOTAL FUNDS MADE AVAILABLE	<u>424,316.</u>	<u>493,448.</u>
FUNDS APPLIED:		
Net loss for the six months	14,939.	201,029.
Additions to Fixed Assets (net)	78,175.	388,772.
Dividends Paid		
On Preference Shares	54,584.	55,526.
On Common Shares	46,728.	93,416.
Redemption of Preference Shares	40,000.	40,000.
Special Refundable Tax	6.	3,257.
Increase in Life Insurance C.S.V.	-	6,699.
Reduction in Long-Term Debt	23,983.	-
TOTAL FUNDS APPLIED	<u>258,415.</u>	<u>788,699.</u>
INCREASE (DECREASE) IN WORKING CAPITAL	165,901.	(295,251.)
Working Capital - January 1	5,459,903.	4,881,756.
Working Capital - June 30	5,625,804.	4,586,505.
Current Assets	16,515,876.	16,181,395.
Current Liabilities	10,890,072.	11,594,890.
	<u>5,625,804.</u>	<u>4,586,505.</u>